T.R. HAMZAH & YEANG SDN. BHD.

v.

LAZAR SDN. BHD.

HIGH COURT MALAYA, KUALA LUMPUR
NH CHAN J
[CIVIL SUIT NO. C 1564 OF 1982]
6 OCTOBER 1983

COPYRIGHT: *Plans proposed by one architect - Employment of another architect - Whether letter of release from first architect necessary - Implied licence to use plans - Extent of licence.*

CIVIL PROCEDURE: *Injunction - Application for mandatory injunction - Letter of release from agreement.*

The plaintiff, a firm of architects, sued the defendants, which had employed them as architects for a project to put up a building, for RM514,000 as the balance of fees that they claimed was due to them for partial services performed up to the date specified in the claim. Lazar, on the other hand, contended that the architects were entitled to be paid only on a *quantum meruit* to be decided by the Courts or an arbitrator and that the PAM scale did not apply, as there was no abandonment of the project or termination of the engagement of the architects. After the pleadings had closed, the architects wrote to Lazar terminating their engagement and stating that a letter of release would be withheld until they had been paid. Lazar made an application in chambers for an order to compel the architects into giving a letter of release to enable Lazar to appoint another architect to proceed with the project.

Held:

[1] The architects had altered their entire cause of action by their letter of termination but they could not rely on the new cause of action to found their action in the proceedings before the Court.

[2] The architects had a lien on the plans that were with them but not on those which they had voluntarily parted possession with to Lazar. The right to possessory lien is lost when the person entitled to the lien parts with possession of the subject-matter of the lien without making any reservation. (*Caldwell v. Sumpters* [1972] Ch 478).

[3] However, the issue before the Court was not that of a lien, the application by Lazar being for a mandatory injunction to compel the architects to give Lazar a letter of release. Without a letter of release another architect will not take over from the outgoing architect, as plans and drawings are artistic works within the meaning of s. 2(1)(ii) of the Copyright Act 1969, and are eligible for copyright under s. 4. A letter of release is intended to give licence to another to use the architect's drawings.

[4] But the architects could not bring proceedings against Lazar for infringement of their copyright. They were charging a reasonable fee for the work done, and though there was a dispute as to the amount, the fee carried with it an implied licence to Lazar to use the plans. Such a licence is implied when an architect charges a reasonable fee for the plans though not when he charges a nominal fee. (*Blair v. Osborne & Tomkins* [1971] 2 QB 78, 84: *Stovin Bradford v. Volpoint Ltd.* [1971] Ch 1007).

[5] However, the application for a letter of release should be granted, as without it Lazar might have difficulty in employing another architect. The implied licence does not enable another architect to put his name on the plans.

Cases referred to:
Blair v. Osborne & Tomkins [1971] 2 QB 78
Caldwell v. Sumpters [1972] Ch 478
Stovin-Bradford v. Volpoint Ltd. [1971] Ch 1007

Legislation referred to:
Copyright Act 1969, s. 2(i), (ii)

Other Sources referred to:
Bowstead on Agency, 13th Edn, (1968), p. 232,
Cordery on Solicitors 6th Edn. (1968), p. 432.
Halsbury's Laws of England, 3rd Edn. vol. 36, (1961), p. 180,
Halsbury's Laws of England, 4th Edn. vol. 24. para. 948
The Law of Agency, Stoljar, (1961), p. 309;
The Law of Agency, Powell, 2nd Edn. (1961), p. 372
The Law of Agency, Fridman, 3rd Edn. (1971), p. 154

For the defendant/applicant - P. Cumaraswamy; M/s. Shook Lin & Bok
For the plaintiff - S. Narayanan; M/s. Nahappan Peri & Partners.

JUDGMENT

NH Chan J:

This case raises points of great interest to architects and to those who employ them professionally.

T.R. Hamzah & Yeang Sdn. Bhd. is a limited company. It is a firm of architects. It is the plaintiff in these proceedings. The defendants, Lazar Sdn. Bhd. employed Hamzah & Yeang as architects for a project to put up a 27-storey building at Jalan Ampang, Kuala Lumpur. The architects accepted the engagement and told Lazar that their terms would be: (1) the full fee is 4 per cent of the total cost of the building i.e. when the architects do the whole work right through to completion, (2) a schedule of partial payment of the full fee at the various earlier stages is to be agreed on separately, and (3) in the event of an abandonment of the project or a termination of the engagement, the payment of a portion of the total fee that is due at that stage shall be in accordance with the PAM scale of charges. That was in April 1980. After a lapse of a little over two years, in August 1982, the architects issued the writ in these proceedings claiming RM514,000 as the balance of fees that they say are due to them at that stage for partial services performed up to 28 February 1982. They showed the working-out of their account thus:

PROJECT: PROPOSED 27-STOREY OFFICE BUILDING ON LOTS 51 AND 52 SECTION 45, JALAN AMPANG, K. LUMPUR FOR LAZAR SDN. BHD.

1. Schematic design and submission for Planning Approval - approval obtained 7 May 1981.
2. Design Development and submission for Building Approval - approval obtained 2 December 1981.
3. Instructions by Client to prepare drawings for construction and tender on 3 September 1981. All 1/8" scale plans, elevations and sections completed constituting 70% of stage (3) below.

	Fees Percentage	
	1. Schematic stage	15%
	2. Design Development stage	35%
	3. Contract Documentation stage (70% of 25%)	17.5%
		67.5% of total fees due
	Basing on construction estimate of RM22,000,000	
	Fees: 4% x 67.58% x RM22,000,000 =	RM594,000
	Fees paid to date =	RM 80,000
	Fees owing: RM594,000 - RM80,000 =	RM514,000

That statement is clearly made from s. 8.1 of the PAM scale of charges which says:

Phase	Percentage fee for phase	Cumulative percentage total fees
Schematic Design Phase	15%	15%
Design Development Phase	35%	50%
Contract Documentation Phase	25%	75%
Contract Management Phase	25%	100%

This section or paragraph lays down - to borrow the words of Widgery LJ in *Blair v. Osborne & Tomkins* [1971] 2 QB 78, 86:-

> Precise conditions as to the fees to which the architect will be entitled in the event of partial services only being performed. The scheme of the paragraph is to divide the total work into stages and to indicate what portion of the total fee is to be paid to the architect on the reaching of any one of those stages.

Of Course, Widgery LJ was speaking of the British RIBA scale of charges. But his remarks apply as much to the PAM scale.

Lazar delivered its defence in September 1982. It says, *inter alia*, that the charge of RM5,14,000 is excessive because it is not a real estimate of the fees due at that stage, so that the architects are entitled to be paid only on a *quantum meruit*. Lazar may well be right because the building has still to be built and the schedule for the partial payment of the full fee at the various stages before completion has yet to be agreed upon. What Lazar really is saying amounts to this: that, according to conditions (2) and (3) of the terms of engagement, the PAM scale for the payment of a portion of the total fee at the various earlier stages does not apply in this case because there was no agreement to apply it but that it would apply where there was an abandonment of the project or a termination of the engagement.

But at that time, there was no abandonment of the project nor was there, as yet, any determination of the engagement, and the scheme for a portion of the total fee to be paid in stages in accordance with condition (2) of the terms of the engagement has still to be agreed upon, so that the reasonable fee to be paid on a *quantum meruit* for the services rendered would have to be decided by the Courts or an arbitrator if the parties are unable to agree on a reasonable fee.

And then - after pleadings have been closed - the architects did a most unusual thing. They wrote on 11 October 1982 to Lazar terminating their engagement as architects of the project on the ground that they have not been paid all their fees. They also said that they will withhold giving a letter of release until they are paid. By taking this unorthodox step the architects have altered their entire cause of action after they have issued the writ. But they cannot rely on this new cause of action now to found their action in the present proceedings.

Why then did they make this unprecedented move? Could it be that they now realise that in order to incorporate the PAM scale of charges into their claim they have to come within condition (3) of their terms of engagement? Whatever may have been the reason, Lazar responded almost at once with an application in chambers for an order to compel the architects into giving "a letter of release [so as] to enable [Lazar] to appoint another architect to proceed with the proposed construction of the 27-storey office building on Lots 51 and 52, s. 45, Jalan Ampang, Kuala Lumpur." This is actually an application for a mandatory injunction; in a proper case, the Court has no more hesitation in granting a mandatory injunction than any other injunction. It is made on an interlocutory application. It can be done: see *Halsbury's Laws of England*, 4th Edn. vol. 24. para. 948.

Mr. Narayanan, on behalf of the architects, says that until they are paid, the architects have a lien and that they do not have to give the letter. It is trite law that an architect has a possessory lien on the plans and drawings prepared by him and that he need not deliver them up until he has been paid. He can even bring an action for his charges although he still retains the plans: see *Halsbury's Laws of England*, 4th Edn. vol. 4, para. 1363. The law is lucidly illustrated in *Caldwell v. Sumpters* [1972] Ch 478.

"It seems plain" said Megarry J in that case, at p. 482,

> that a solicitor's possessory lien is lost if the solicitor parts with possession of the deeds without making any reservation. It also seems plain that the lien is preserved if the solicitor obtains the agreement of the recipient that he will hold the deeds on the solicitor's behalf.

The Judge was speaking of a solicitor's possessory lien but the principle is applicable to all other possessory liens. It is of general application. He continued,

> **What is in question here is the intermediate category of an attempted unilateral reservation of the right, not assented to by the recipient.**

In that case, solicitors when parting with documents on which they had a lien used these words: 'These deeds and documents are being sent to you on the understanding that you will hold them to our order, pending the payment of our fees'. The reply of the recipient solicitors was, 'we are unable to accede to your request to hold the deeds to your order'.

"The question, then," posed Megarry J (at p. 482D)

> **is whether solicitors who are entitled to a lien on deeds in their possession [would] lose that lien by parting with the deeds if they do so subject to words of reservation which the recipient does not accept.**

The judge after a detailed and illuminating examination of the cases said, at pp. 485-486:

> In those circumstances, I think that I must rely upon principle, with such assistance as may be drawn from the cases and the books. The starting point is that a solicitor's possessory lien, like other possessory liens, depends upon his... retaining possession of the deeds or other property in question. This rule, however, is not absolute. First, even if the solicitor voluntarily parts with the deeds, he may preserve his lien if the recipient has expressly or impliedly agreed to hold the deeds for the solicitor's use. I have already mentioned some authorities which support this view: and I think that *Whalley v. Halley* [1829] 8 LJOSKB 6 is really an instance of this ...
>
> Second, there is also authority for the view that where the solicitor loses possession by some trickery or wrong-doing his lien continues. Thus although he loses his lien if he parts with the documents voluntarily, even if by mistake, he does not lose it where they are, in the words of Littledale J in *Dicas v. Stockley* [1836] 7 C & P 587, 591, 'got out of his possession

> wrongfully,' as where they are abstracted without his consent by a retiring partner of his: *In re Carter* [1885] 34 WR 57. However, apart from cases such as these, the general rule seems to be that any voluntary parting with possession destroys the lien. I can find no authority to support the contention that a unilateral reservation by the solicitor, not accepted either or tacitly by the recipient of the documents, suffices to maintain the lien.

And he concluded, at p. 488:

> It therefore seems to me that the lien has gone. The lien is based upon possession, and if there is a voluntary parting with the deeds, not brought about by any wrong-doing, I think the lien will be lost unless the parting with the deeds is accompanied by some effective arrangement which preserves that possession for the solicitor, such as an agreement to hold the deeds on his behalf. It also seems that a solicitor who, as here, dispatches the deeds with a request for the recipient to hold them on his behalf will remain entitled to his lien if the recipient accedes to the request, even though there is a period before he does this while the deeds remained unprotected by any effective agreement. In this way the solicitor who thus puts himself at risk may, in the end, be saved if the risk is resolved in his favour. This would be in line with those authorities which support the proposition that a lien is capable of being revived if possession of the property is regained after it has been lost: see, for example, *Levy v. Barnard* [1818] 8 Taunt. 149. It may also be that a failure either to reply to such a request or to return the deeds might in the particular circumstances of a case be construed as the tacit acceptance of the request. But where, as here, there is a prompt and clear rejection of the request, I can see no sound basis upon which a continuance of the lien could be based.

The Court of Appeal disagreed with that last remark and held that the lien was not destroyed in that case. Salmon LJ said, at pp, 495 - 496:

> The crucial factor in this case is that [the solicitors]. because of their lien, had the legal right to possession of the documents. The documents were being offered on the terms of the letter of 15 January. The law does not, in my view, allow retention of the documents and repudiation of the terms upon which they are offered. This seems to be clear on principle. There is little authority on the point, possibly because it is so plain. What authority there is tends to support the view I have formed. There is certainly no authority the other way. The textbooks all proclaim that a lien is not lost by parting with physical possession if the circumstances show, as in the present case, that the lien is being expressly or impliedly reserved: see *Bowstead on Agency*, 13th Edn, (1968), p. 232, *Halsbury's Laws of England*, 3rd Edn. vol. 36, (1961), p. 180, Powell, *The Law of Agency*, 2nd Edn. (1961), p. 372; Stoljar, *The Law of Agency* (1961), p. 309; Fridman, *The Law of Agency*, 3rd Edn. (1971), p. 154 and *Cordery on Solicitors* 6th Edn. (1968), p. 432.

And Stamp LJ said, at p. 497:

> It is plain, as Megarry J remarked *ante*, p. 482D, that a solicitor's possessory lien is lost if the solicitor parts with the possession of the deeds without making any reservation.
>
> It is also plain that if the solicitor obtains the agreement of the recipient to do so the recipient will hold the deeds on the solicitor's behalf and the solicitor's lien will not be lost. In my judgment it is also the law that, where a solicitor having a possessory lien on his former client's papers put them in the hands of a third party to hold them to the order of the solicitor or for the account of the solicitor, the lien is not destroyed because the possession of the transferee becomes the possession of the solicitor. In my judgment it makes no difference that the transferee is the solicitor of the owner of the papers.
>
> If this were not the law, powerful considerations of convience, and, indeed, in some cases but not in this, of honest dealing, would be frustrated.

Applying the law to the present case, the architects' possessory lien depends on the plans and drawings remaining in their possession. It is plain that they have a lien on the plans that are with them but not on those which they have voluntarily parted with possession to Lazar. Their possessory lien is lost when they parted with the plans without making any reservation.

But here Lazar does not want the plans that are with the architects. It wants a letter of release so that it can appoint another architect to take over the project to put up the building at Jalan Ampang.

I am told that no architect will take over from another without a letter of release from the outgoing architect. One can see that this letter is a very important document for without it a builder or an owner of land will have difficulty in employing another architect to replace the one that has left.

The reason for requiring this letter is not far to seek. It is to be found in this passage from the judgment of Lord Denning M.R. in *Blair v. Osborne & Tomkins* [1971] 2 QB 78, 84:

> It is quite plain that Mr. Blair was entitled to the copyright in his drawings. He drew them himself, and that makes him *prima facie* the owner of the copyright in them. ... As owner of the copyright, Mr. Blair was certainly entitled to stop people in general from copying his drawings, or building a house from them; but that is subject to this qualification: be could not complain of anything for which he had given licence or permission. The question in this case is whether he had given a licence.

As here, an architect is entitled to the copyright in his plans and drawings because 'plans, charts and diagrams' are artistic works within the meaning of s. 2(1)(ii) of the Copyright Act, 1969 and by virtue of s. 4 artistic works are works which are eligible for copyright. As owner of the copyright, an architect could prevent people from using his drawings or copying from them. His copyright in them would be infringed unless he consents or gives permission to someone to use the drawings. He could not complain - as Lord Denning MR remarked - of anything for which he had given licence or permission. And that is what a letter of release is intended for: to give licence or permission to someone to use the architect's drawings.

I return to *Blair v. Osborne & Tomkins.* The question - posed Lord Denning MR - is whether he had given a licence. He said, at pp. 84 - 85:

> The RIBA conditions do not give any guidance on this question of licence. But they do contain a condition [Condition of Engagement I] which is of some relevance:
>
> An engagement entered into between the architect and the client may be terminated at any time by either party upon reasonable notice being given.
>
> Suppose now that after the architect has made the plans, a contract is made by the owner with a builder whereby the builder is to build the house in accordance with the plans: and then the architect says he will go on no longer as architect for the work, and gives one month's notice. Can the architect refuse to let the owner and the builder use the plans and make the house from them? Surely not. At that stage, at any rate, when the owner has placed a contract for the work, the architect must be taken to have impliedly licensed the work to be done in accordance with the plans. Now take it back to an earlier stage, when the architect has drawn plans and obtained planning permission on the faith of them, and been paid for them. Can the architect then withdraw from the work and refuse to let the owner use the plans? Surely not. That shows that, at that stage also, the architect must be taken to have impliedly licensed the building to proceed in accordance with the plans.

Those illustrations show, to my mind, that when the owner of a building plot employs an architect to prepare plans for a house on that site, the architect impliedly promises that, in return for his fee, he will give a licence to the owner to use the plans for the building on that site. The copyright remains in the architect, so that he can stop anyone else copying his plans, or making a house from them; but he cannot stop the owner, who employed him, from doing work on that very site in accordance with the plans. If the owner employs a builder or another architect, the implied licence extends so as to enable them to make copies of the plans and to use them for that very building on that site: but for no other purpose. If the owner should sell the site, the implied licence extends so as to avail the purchaser also.

There is no authority in this country on this subject. But I am glad to find that there is a case in the Supreme Court of New South Wales. It is *Beck v. Montana Constructions Pty. Ltd.* [1964-65] NSWR 229. I find the reasoning of Jacobs J very convincing. He said, at p. 235.

> ... the payment for sketch plans includes a permission or consent to use those sketch plans for the purpose for which they were brought into existence, namely for the purpose of building a building in substantial accordance with them and for the purpose of preparing any necessary drawings as part of the task of building the building.

I entirely agree.

Applying this principle, it seems to me that the payment of £70 to Mr. Blair covered the use of drawings, not only by Mr. Underwood and Mr. Norris themselves, but also by the people to whom they sold the plot, and by the surveyors and workmen of the purchasers, so that they might make copies of them and otherwise use them in the accustomed way for building a house on this site.

And Widgery LJ said, at pp. 86 - 87:

Mr. Stanley contends that if an engagement of an architect does not run its full course and fees are payable under the partial services provision to which I have referred, then, despite the fact that the architect has been fully compensated for all the work he has done, the client nevertheless cannot use the product of that work if it infringes the architects's copyright. That the architect retains the copyright is beyond dispute. He needs it for many good reasons. He needs it to protect himself against the possibility of his plans being used by others who have paid him no fee, or being used for purposes other than the specific building which was contemplated. However, it is common ground between Counsel that though the architect retains the copyright, and though the use of the plans would *prima facie* be a breach of copyright, yet there was in this agreement an implied licence enabling the client to use the plans to some extent. The issue between the parties before us is: what is the extent of that licence, or what is the extent to which the client is impliedly authorised to use the plans? Mr. Stanley in his full argument developed this point in great detail; but I think for my part that this argument can be summarised in a single sentence. He contends that the licence to the client to use the plans is conditional on the architect continuing to be employed. Accordingly he says that the engagement breaks off at the planning permission stage, if I may so describe it, and the architect is not to be employed thereafter, there is no further licence to use the plans.

Mr. Wilson-Smith on behalf of the defendant puts the matter more simply and says that the implied licence is to use whatever plans have been prepared for all purposes for which those plans would normally be used, that is to say, all purposes connected with the erection of the building to which the plans relate. I have no hesitation in saying that Mr. Wilson-Smith's approach is right. If it be right that the architect can hold the client to ransom, as Mr. Stanley's argument really implies, this would be quite inconsistent with the clear term in the engagement that that engagement could be put an end to at any time. If Mr. Stanley were right, an architect would have very powerful means of preventing his client from dismissing him; and that would be inconsistent with the spirit of the terms of employment if not inconsistent with their letter.

I am indebted to Jacobs J for the guidance given in *Beck v. Montana Constructions Pty. Ltd.*, to which Lord Denning MR has referred. That judgment seems to me to suit the circumstances of this case precisely, and if I may say so, to be entirely correct in every way. I will repeat - because I think it valuable - the general principle which Jacobs J lays down. He say, at p. 235:

> it seems to me that the principle involved is this: that the engagement for reward of a person to produce material of a nature which is capable of being the subject of copyright implies a permission, or consent, or licence in the person giving the engagement to use the material in the manner and for the purpose in which and for which it was contemplated between the parties that it would be used at the time of the engagement.

It was contemplated by the parties in this case that the plans would be used in furtherance of the erection on this site of houses of the type to which the plans relate. Mr. Stanley, however, further submits that on the facts of the present case the only engagement by the architect was to prepare plans to lead to the grant of planning permission, and so he argued that that being the only purpose for which the plans were prepared, it was the only purpose for which the parties contemplated that they should be used. I am quite unable to agree with this. The preparation of plans is a progressive process which begins with the most elementary sketches and works on through the details of outline planning permission and detailed planning permission, to working drawings and completion of the work. The observation that the plans in question were only plan to lead to planning permission simply means that they were plans which at that point had only been developed to the extent necessary for that purpose. It is quite wrong and unreal to suggest that the only function of the plans was to obtain planning permission. Their function was to enable that application to be made, and thereafter, if the application was successful, to form the basis for more detailed drawings which would lead to the final plans for the erection of the building.

The law is further clarified in the next case. It seems to me that the *Blair case* is decisive authority for the view that there is an implied licence that an architect will allow his plans to be used for all purposes connected with the erection of buildings to which they relate in return for his fee. However, the licence is implied only when he charges a reasonable fee for the plans but not when he charges a nominal fee for them: *Stovin-Bradford v. Volpoint Ltd.* [1971] Ch 1007. This is what Lord Denning MR said, at pp. 1015 -1016:

> In view of the discussion which we have had, I think the law stands thus:
>
> When an architect prepares plans at the request of a client, the copyright remains in the architect. The client cannot reproduce those plans or any substantial part of them, either in the form of another plan or in the form of the building itself, unless he has the licence of the architect, express or implied. There is nothing in the RIBA conditions which gives him an express licence. But when the architect charges the full scale fee for the work so far done, that fee in the ordinary way must be taken to include permission to use the plans for the building of that very house. That I think follows from the very structure of the RIBA conditions ...
>
> It seems to me that the scale charges for partial services are so fixed that they contain a 'built-in' compensation for the use of the designs and drawings right through till the completion of the work. Take, for instance, a new building which is estimated to cost £100,000. The full fee is 6 per cent of the cost, that is, £6,000. In return for that fee the architect has not only to prepare the plans. He has much to do in the construction of the building. He has to supervise the work and issue certificates right through to the end. Suppose now that the architect withdraws after preparing the working drawings and specification, but before tenders are invited. The scale charge up to the stage is two-thirds of the full fee of £6,000, that is £4,000. I cannot believe that, after getting £4,000, the architect can say to the client: "I withdraw from the work and you are not to use my plans or drawings at all, I will get an

injunction to stop you.' Can it really be supposed that the client is to go off to another architect, and get him to work out another set of plans and drawings all over again, and pay him another £4,000 for the self-same building? Surely not. The client is entitled to say: "I have paid you £4,000 for the plans and drawings. That must include the right to use them for the construction of the buildings.'

I have taken an illustration where the architect withdraws from the engagement; but it must be the same if the client does so. Each is equally entitled. I have taken it at the third stage, but it must be the same at the second and first stages. The scale fee at each stage is based on a percentage of the total cost. It includes a licence to use the designs or plans for the purpose of the building.

In both *Back v. Montana Construction Pty. Ltd.* [1964-65] NSWR 233 and *Blair v. Osborne & Tomkins* [1971] 2 QB 78, quite recently, the architect charged according to the RIBA scale, one-sixth of the full fee. That implied a licence to the client to use the plans for the building. ...

But in the present case Mr. Stovin-Bradford charged far less than the RIBA scale. He agreed a fee of 100 guineas when he was asked to do the work. He worked it out, not according to the scale, but on the estimated time it would take him. It turned out that it only covered the time of the assistant, and nothing for Mr. Stovin-Bradford's time. The 100 guineas was truly a nominal fee when compared with the scale fee which could have been at this stage, on a £90,000 building, £900. It cannot by any intendment carry with it an implied licence to use the plans without paying anything for them.

And Salmon LJ said, at p. 1017:

In accordance with the contract of 13 July 1966, the architect prepared his drawings. These admittedly revealed a novel and attractive design which highly commended itself to the owners. On the basis of these drawings, full planning permission was granted. The owners then built their factory incorporating some of the principle features to be found in the architect's drawings. The owners did not, however, engage the architect to act in the erection of their factory and have paid him nothing beyond the 100 guineas fee to which I have referred.

This appeal raises a short point: what terms should be implied into this contract? It is trite law that is permissibly to imply a term into a contract only if such a term is necessary to give the contract ordinary business efficacy.

It is plain that some term must be implied into his contract for that purpose. Since the architect admittedly owned the copyright in his drawings, it was necessarily an implied term of the contract that the architect licensed the owners to make use of the drawings for the purpose of obtaining planning permission; otherwise the whole purpose of the contract would have been stultified. Graham J in a very clear and careful judgment came to the conclusion that it was unnecessary to imply any other term into the contract in order to give it business efficacy. I entirely agree with him.

The Judge went on to say, at pp. 1018 - 1019:

Whether any term is to be implied in a contract for the purpose of giving it ordinary business efficacy, and, if so, what term, must in each case depend upon the contents of the contract itself and the particular circumstances surrounding it. It is, in my view, impossible to lay down any more specific proposition of general application in this field - because there are rarely two cases exactly alike. There are striking differences between *Blair v. Osborne & Tomkins* and the present case. In *Blair v. Osborne & Tomkins* the architect charged a fee of £70. On no view could this have been a nominal fee, since it was the maximum fee the architect could have charged, representing, as it did, one-sixth of the total minimum fee he would have received had he been employed in the erection of the two modest houses represented in his drawings: see cl. 1 and 3(ii) of the RIBA Conditions of Engagement and Scale of Professional Charges (1962 rev.).

> In the present case the estimated cost of erecting the factory was upwards of £90,000 and therefore the scale fee for preparing drawings for planning permission would have been in the region of £1,000. One knows that in practice a prescribed maximum fee tends to be treated as the prescribed fee, although the same is rarely true of a prescribed minimum fee. In all the circumstances, the fee of 100 guineas can, in my view, be regarded as nothing but a nominal fee. Mr. Lunzer has rightly conceded that if the architect charges only a nominal fee for the drawings he prepared for the purpose of seeking planning permission, a licence cannot be implied to use these drawings for the purpose of erecting the building. It follows therefore that the Judge's decision was plainly right. Quite often an architect charges a nominal fee for his work in connection with applications for planning permission because if this permission is refused, all the money spent by the owner is thrown away. If planning permission is granted and the architect is employed as the architect under the building contract, he earns substantial fees even if he charges only the minimum under the scale. In these circumstances, he usually gives credit for the nominal fee he has originally charged for his drawings. It would be strange indeed if the owner could pay only a nominal fee for these drawings, refuse to employ the architect under the building contract, and then successfully claim that he had an implied licence to use the copyright drawings for the purpose of erecting the building. Far from such a licence being necessary to give the contract ordinary business efficacy, it could only give it an air of injustice and absurdity.

What is a reasonable fee? Salmon LJ expressed the view that there are some situations where even the RIBA scale of charges may not be reasonable. He observed, at p. 1019:

> I am, however, by no means convinced that even if an architect were to charge the full scale fee for preparing drawings for planning permission purposes, in every case a licence to use the drawings for erecting the building would necessarily be implied. Take the case of an architect who is world-famous for the brilliance and originality of his designs. He normally, with good reason, commands a fee considerably in excess of the minimum prescribed in cl. 1 of the RIBA scale. A building owner is anxious to have, say, a large hotel designed by this architect. He engages him to prepare drawings for the purpose of planning permission at what for this architect is the comparatively modest maximum fee prescribed in cl. 3(ii) of the scale. Planning permission is granted. Can the owner then refuse to employ the architect any further and yet get the benefit of his design for the purpose of erecting his hotel without having any express licence to use the copyright design for this purpose? I do not propose to express any concluded view on this point until it arises for decision. It may be that the answer is that a licence to use the drawings for building purposes would be implied if the building owner offers to appoint the architect as architect under the contract at what would be a reasonable fee for this architect, and the architect capriciously refuses or demands an exorbitant fee. Such an answer would at any rate protect both the building owner and the architect. In the circumstances postulated, the licence, if it exists, can exist only by implication. Accordingly, it seems reasonable that when it is implied it should be implied only on terms which are fair to both parties.

The law can be summarised thus: When an architect charges a reasonable fee for the work so far done, that fee must be taken to include a licence to use the plans for the purpose of putting up the building: per Lord Denning MR in *Stovin-Bradford v. Volpoint Ltd.* at p. 1015B. In *Blair v. Osborne & Tomkins,* the architect charged according to the RIBA scale, one-sixth of the total fee, for plans sufficient to obtain planning approval. That implied a licence to the client to use the plans for the building: see per Lord Denning MR in *Stovin-Bradford v. Volpoint Ltd.,* at p. 1016B. But when an architect charges only a nominal fee for the purpose of obtaining planning permission, that fee cannot carry with it an implied licence to use the plans for the purpose of erecting the building: *Stovin-Bradford v. Volpoint Ltd.;* although it is:

> necessarily an implied term of the contract that the architect licensed the owners to make use of the drawings for the purpose of obtaining planning permission; otherwise the whole purpose of the contract would have been stultified. per Salmon LJ in *Stovin-Bradford v. Volpoint Ltd.*, at p. 1017G.
>
> If the architect had been engaged for the whole project, there would have clearly been an implied licence to use his drawings for erecting the building. If the engagement had been terminated by either party before the building had been completed, the licence would almost certainly still have operated; but the reasonable fee to be paid for the services rendered prior to the termination, if not laid down by the scale, would have had to be decided by the Courts or an arbitrator in the absence of agreement between the parties. per Salmon LJ in *Stovin-Bradford v. Volpoint Ltd*., at p. 1018D.

In the present case, the architect have been engaged for the whole project, While still employed, they sue for partial payment of their fees for the work so far done. They claim entitlement to RM514,000 as the balance of fees due to them for partial services performed up to 28 February 1982. The agreed full fee is 4 per cent. of the total cost of the building when the architects do the whole work right through to completion. It is a term of condition (2) of the engagement that a schedule of partial payment of the full fee at the various earlier stages is to be agreed upon separately. But to date no scheme for such partial payment has yet been agreed. In those circumstances, the reasonable fee to be paid for the services rendered for the work so far done, which in the present case has not been laid down by the PAM scale, would have to be decided by the Courts or an arbitrator in the absence of agreement between the parties. Approaching the case on the basis of the plaintiff's cause of action in the statement of claim, the question of what is a reasonable fee on a *quantum meruit* has to be decided. I do not think that in these proceedings the architects can rely on their letter of 11 October 1982 terminating their engagement in order to attach the PAM scale of charges as the fees for the partial payment of the total fee at the various stages before completion. This is not their cause of action in the present case.

In any case, even if the architects can approach these proceedings on the basis that their engagement had been terminated, there would still be implied a licence to use their plans. The licence would still operate whichever way one approaches this case. There is no question here of a nominal fee. The architects have so far been paid RM80,000. It is the amount of the balance of what is a reasonable fee to be paid for partial services that is in question. If the architects can rely on termination without bringing a fresh action, then the reasonable fee is that as laid down by the PAM scale; see condition (3) of the terms of engagement. If, on the other hand, as here, the architects cannot rely on termination, then the reasonable fee for partial services rendered for the work so far done has to be decided by the Courts or an arbitrator in the absence of agreement between the parties.

In these circumstances, quite clearly there would have been an implied licence to Lazar to use the plans for the purpose of erecting the building.

What then is the practical significance of this licence? As was said by Lord Denning MR, when an architect prepares plans at the request of a client, the copyright remains in the architect. Unless he has the licence of the architect, expressed or implied, the client cannot reproduce those plans or any substantial part of them, either in the form of another plan or in the form of the building itself, nor in any way use them for the purpose of erecting the building. Without this licence, the client can be sued by the architect for infringement of his copyright. As owner of the copyright, the architect can even stop the client from copying his plans, or building a house from them.

In the case that I have adverted to: *Stovin-Bradford v. Volpoint Ltd.*, the architect brought an action claiming against Volpoint Properties Ltd. and Uniment Ltd., respectively property developers and owners of a factory at Thatcham, an injunction and damages for infringement of his copyright in specified architectural drawings and plans relating to development at the site in Thatcham. The Court of Appeal, affirming the decision of the Judge at first instance, held that as the fee agreed was nominal, there was no implied licence to use the plans for the purpose of erecting the building. That being so, the architect succeeded in his action for infringement of his copyright. He was awarded damages which was assessed on the basis of what would be fair remuneration for a licence to use the plans for the purpose for which they were used. This is how Lord Denning MR put it, at pp. 1016 - 1017.

> The defendants took the plaintiff's plan and took it as if they had a licence to use it as they pleased - to take so much of it as suited them and leave out what they did not want. They ought to pay as damages an amount equivalent to the fee which they would have had to pay for a licence. This is how Crossman J put it in *Chabot v. Davies* [1936] 3 All ER 221, 228:
>
> > What is the remuneration which the plaintiff could fairly have got for his plan if the defendant had applied for his licence to use it?
> >
> > That was approved by Uthwatt J in *Meikle v. Maufe* [1941] 3 All ER 144.

And Salmon LJ at p. 1020:

> The damages must be assessed on the basis of what would be fair remuneration to have paid the architect for a licence to use the copyright for the purpose for which it was used: see *Chabot v. Davies* [1936] 3 All ER 221 and *Meikle v. Maufe* [1941] 3 All ER 144.

In the other case: *Blair v. Osborne & Tomkins*, the plaintiff, Dennis Blair, architect, claimed damages against and an injunction restraining the defendants from infringing his copyright in a drawing of a proposed pair of semi-detached houses. He failed in his action for infringement of the copyright. The Court of Appeal held that there was an implied licence to use the plan in return for his fee.

Where there is no licence, the architect can sue for infringement of his copyright, as in *Stovin-Bradford v. Volpoint Ltd.*, and the amount the client ought to pay as damages is equivalent to the fee which he would have had to pay for a licence. But where there is a licence, express or implied, and the architect has not received all the fees that are due to him, he should sue for his fees, either on a *quantum meruit* or as agreed (depending on the case), and not for infringement of the copyright.

Whether there is licence or not, the practical result appears to be the same. Depending on the label in which the cause of action is founded, the client has either to pay the fee or damages which is equivalent to the fee he has to pay.

However, where an architect has been paid a reasonable fee, he should not sue at all because the fee carries with it an implied licence - he will fail if he sued for infringement, as happened in *Blair v. Osborne & Tomkins* quite obviously, there is no question suing for fees as he had been paid.

If he has not been paid yet or been paid only part of his fees and he does not want his plans to be used by his client or others until he has been paid, then he should not part with them without first expressly reserving his lien. His proprietory lien on these plans is preserved and not destroyed if he puts them in the hands of his client to hold them to his order or for his account: *Caldwell v. Sumpters*, *ante*. He may use words like, 'I am sending to you these plans and drawings on the understanding that you will hold them to my order until the payment of my fees up to this stage'.

Since, and I have so found, there is an implied licence for Lazar to use the plans for the purpose of erecting the building in the instant case, the architects cannot bring proceedings against Lazar for infringement of their copyright. In fact they never did. Although the copyright remains in them, but because of the implied licence, their client Lazar can use those plans for erecting the building.

But another architect must not put his name on those plans. He must not put them up as his own for that would be technically an infringement of the plaintiff's copyright. This is how Lord Denning MR put it in *Blair v. Osborne & Tomkins*, at p. 85:

> But there is one small point I should mention. When Osborne & Tomkins put in their detail plan to the local council, they put their own name on it as though it were all their own work; whereas it was not all their own work. Part of it was Mr. Blair's original drawings. It is conceded that the implied licence did not enable them to put forward past of his work as their own. To that extent, therefore, it was not licensed. But no damage flowed from that misdescription. The local authority said that the name on the document did not influence them. For that technical infringement the Judge awarded nominal damages of 40s. Subject to that small nominal award, the Judge dismissed the claim and gave no further damages. I think that was quite right. The appeal should be dismissed.

I do not think that there can be any real objection to giving the letter of release. Actually, such a letter is, in law, quite unnecessary - the implied licence suffices - but without it Lazar may have difficulty in employing another architect. I therefore grant the application, if only, to give efficacy to the licence.

I suppose the architects have brought this quite unnecessary litigation on themselves. If they had sued after they have determined their engagement with Lazar, they would have got judgment a long time ago because the fee would be that as laid down by the PAM scale. Instead, they choose to pursue the present action where the defence is that the reasonable fee is as on a *quantum meruit*. Every man to his taste.

Also found at [1984] 1 CLJ 303